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May 22, 2007

The Honorable Matt Blunt
Governor of Missouri
Missouri Capitol
Room 216
Jefferson City, MO 65101

Dear Governor Blunt:

I strongly urge you to veto Senate Bill 389. Securing a higher education has become increasingly essential in order to compete in a 21st century economy, yet the soaring costs of tuition has moved it further out of reach for more of Missouri's working families and students. Today, there are fewer Missouri children enrolled in undergraduate institutions in Missouri than there were a generation ago, and putting a child through most of our state colleges and universities is costing Missouri families fifteen percent more than it did just three years ago. Senate Bill 389 misses an important opportunity to offer intelligent, workable solutions for these problems, and it will put a greater strain on Missouri's families than ever before.

This misguided odyssey began as a no-bid deal to sell MOHELA outright to a Wall Street for-profit student loan company. Now, in its present form, hundreds of millions of dollars are being raided from the state's trust fund for low-cost student loans and the real needs and concerns of students and their parents have been ignored. And to what end? Senate Bill 389 will do serious and lasting damage to the ability for Missourians to access low-cost student loans for a project list that consists largely of "deferred maintenance" and down-payments on construction projects for which there are no final plans or full financing. The short-sighted desire among some of the bill's proponents to win a political battle will make it more difficult for regular Missourians to achieve their dreams for generations to come.

Some have attempted to justify Senate Bill 389's raid on MOHELA's assets on the theory that this is "extra money" that MOHELA does not "need." MOHELA has no money except that which stems from the monthly payments made by students and their

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families. Every penny MOHELA has comes from students, and every penny should be used to benefit students in the form of low-cost loans so eligible Missourians can get the higher education today's economy demands – education not just in colleges and universities, but in trade schools and community colleges as well. When a bipartisan coalition of legislators established MOHELA in 1981, no one envisioned that its assets would be – or ever legally could be – taken away and used to fund deferred maintenance and down-payments on construction projects at state institutions. As bipartisan former curators for the University of Missouri wrote in a recent letter to the St. Louis Post Dispatch: "MOHELA is not a depository of public money; it is the money of past, present and future students. It is, in effect, a public trust fund, and the governor's plan seeks to break this trust." Moreover, attempting to apply the changes to MOHELA's purposes retroactively – claiming that MOHELA's current assets, amassed solely for use in providing low-cost student loans, are somehow "transformed" by Senate Bill 389 and can now be used to fund maintenance and down-payments for construction projects – creates a serious risk of litigation from students, current and former loan-holders, bondholders and others.

For more than a year, those of us concerned about the impact that this raid on MOHELA's assets will have on the accessibility and affordability of higher education in Missouri have called on your administration, or the General Assembly, or MOHELA itself to obtain an independent financial review of this plan. Such an analysis has become even more essential in recent weeks as the student loan market has been rocked by investigations by my office and others revealing improper relationships between certain lenders and certain higher education institutions. And all of this is playing out against a backdrop of impending changes to federal legislation that will dramatically change MOHELA's marketplace or eliminate it altogether. Even MOHELA's consulting firm, hardly "independent" by any standard, has expressed reservations about such a substantial drain on MOHELA's assets amid such uncertainty. Despite all of this, no independent financial analysis has ever been performed.

The confiscation of MOHELA's assets is not the only poor public policy pursued in Senate Bill 389. At a time when Missouri's working families are spending nearly 50% of their annual income to send a child to college, Senate Bill 389 engineers a massive shift of public dollars to private colleges and universities. As stewards of scarce public resources, we simply cannot allow them to be diverted to fund private institutions.

Moreover, the so-called "tuition caps" in Senate Bill 389 provide far more fuel for political sound-bites than actual protection for students and their families. Under this

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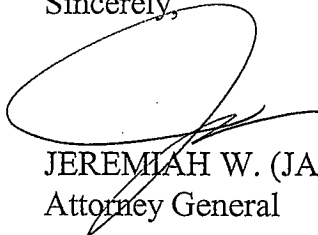
bill, schools with below-average tuition are free to continue to impose large increases year after year.

Finally, Senate Bill 389 would require colleges and universities to offer professorships to former General Assembly members on the same terms as candidates with doctorate degrees. Surely such a cynical and self-serving provision cannot be squared with Missouri's goal of creating and maintaining world-class institutions.

The only thing certain to happen if you sign Senate Bill 389 is that hundreds of millions of dollars that should have been used to provide low-cost access to higher education for qualified Missouri students will be taken from MOHELA forever.

Missouri is nearing a crossroads . . . an opportunity to decide whether this state will be a leader in the 21st century or risk a slide toward second-tier status. As public servants, our obligation is to help every student in Missouri achieve his or her dreams and MOHELA was created to help us achieve that responsibility. By signing Senate Bill 389, you will be taking our state in the wrong direction. I urge you to veto this bill, and to work to provide our higher education institutions with the needed funds for deferred maintenance from sources other than our students and their parents.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeremiah W. (Jay) Nixon", is written over a horizontal line.

JEREMIAH W. (JAY) NIXON
Attorney General